

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
September 29, 2020**

A special meeting of the Audit Committee (the “Committee”) of New York City Economic Development Corporation (the “Corporation” or “NYCEDC”) was held virtually on Tuesday, September 29, 2020.

The following members of the Committee were present by means of a conference call at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

- William Candelaria, Committee Chairperson
- James McSpirtt
- Michael Schlein
- Betty Woo

The following members of NYCEDC staff were present by means of a conference call:

- Finance:
 - Fred D’Ascoli – CFO
 - Spencer Hobson – EVP/Treasurer
 - Amy Chan – Controller
- Internal Audit (“IA”):
 - Jennie Wallace – EVP
 - Allison Richardson – VP
 - Tony Khoury – VP
- Legal:
 - Mark Silversmith – Special Counsel

Also present were representatives from Ernst & Young LLP (“EY”):

- Kimberly Hancy – Engagement Partner
- Nicole Rapport – Senior Manager

The meeting was called to order at 11:04 a.m.

1. Approval of the Minutes of the June 11, 2020 Audit Committee meeting

Mr. Candelaria asked if there were any questions or comments related to the minutes of the June 11, 2020 Committee meeting as submitted. There being no questions or comments, Mr. McSpirtt motioned to approve the minutes. Ms. Woo seconded the motion and the minutes were approved.

2. Presentation of the Annual Financial Statement – Management Discussion

Mr. D’Ascoli thanked everyone involved in the audit and preparation of the financial statements while working remotely in an extremely challenging environment. He thanked Mr. Hobson and especially Ms. Chan along with her staff for managing the audit and completing the financial statements in a timely and efficient manner.

Mr. D’Ascoli submitted the draft FY2020 Annual Financial Statements and the Annual Investment Report for the Committee’s approval. Mr. D’Ascoli indicated that the financial statements present fairly, in all material respects, the financial position of NYCEDC as of FY2020 and FY2019. He stated that the team from EY has examined the financial statements and will be issuing an unmodified opinion after the completion of the Board meeting on September 30, 2020.

Ms. Chan mentioned that the Auditors’ Report (in accordance with Government Auditing Standards) concluded that there were no findings, no material weaknesses, and no internal control issues noted by the external auditors (EY).

Ms. Chan presented the NYCEDC financial position as of year-end and discussed the financials. She directed everyone’s attention to the Management Discussion and Analysis (MD&A) section and stated that the net position totaled \$564 million, an increase of approximately \$2.5 million over the prior year.

Ms. Chan discussed the Statement of Revenue, Expenses, and Changes in Net Position that tracked the financial performance over the course of the year. NYCEDC had operating revenue of \$903 million, a \$157 million increase from prior year. The overall revenue increase is primarily the result of a \$190 million increase in grant revenue recognized. These funds come to NYCEDC as reimbursement for virtually all of the related project and program expenses that NYCEDC incurred. Of this \$190 million change, \$124 million is directly related to NYCEDC’s COVID-19 response efforts on behalf of the City including \$84 million expended to purchase PPE and other supplies and \$39 million for grants to aid impacted businesses. These amounts were recognized as revenue, and were offset by an equivalent amount of expenses. Property rental income and land sales decreased by \$27 million in total. Property rental income declined \$24 million primarily due to a reduction of revenue from cruise terminal operations of \$7 million as well as COVID-19 related tenant rent abatements and other lease deferrals provided of \$7 million. Additionally there were one time transactions that occurred in FY2019 related to Forest City Pierrepoint and Atlantic Center, which generated about \$20 million of income in FY2019, which

did not occur in FY2020. This was offset by rent reset income of \$6 million that the Corporation received from the 42nd Street Development Project. Land sales were down \$3 million, which is directly attributed to COVID-19 as some of the anticipated land sales did not close and were pushed back to FY2021.

Operating expenses increased by \$184 million from prior year, up to \$990 million for FY2020 mainly due to an increase in project and program costs. These costs are primarily City funded including expenses for capital construction and COVID-19 response efforts, and also included NYCEDC directly funded work for Life Sciences and Cybersecurity initiatives. Property rental and ferry related expenses remained relatively flat as compared to the prior year. Contract expenses to the City decreased by \$29 million, primarily the result of the \$30 million PEG payment that was requested by the City in FY2019, but not repeated in FY2020. Office rent and other expenses increased by \$13 million in FY2020, mainly due to an increase of \$9 million in depreciation expense. Capitalized leasehold improvements at NYCEDC's new office at One Liberty Plaza began depreciating in July 2020 when the Corporation relocated. In addition, the Corporation also realized a full year of depreciation for the fleet of ferries purchased in April 2019 for NYC Ferry service. The Corporation's bad debt expense also increased by \$6 million due to increased reserves for tenant and loan receivables. These increases are offset with a \$6 million expense reduction for rent. Ms. Chan noted that in FY2019, NYCEDC recorded charges for two office leases at both 110 William Street and One Liberty Plaza, but only for One Liberty Plaza in FY2020. Non-operating income representing all of NYCEDC's interest and investment income decreased by \$4 million due to the pandemic's impact on the financial markets. Finally, the Corporation recorded capital contributions from the City of \$85 million reflecting the City's funding of assets used in NYCEDC's operations. The capital contributions offset the \$83 million loss leaving an increase to NYCEDC's net position of approximately \$2.5 million.

Ms. Chan described the Corporation's Statement of Net Position. Total assets reported at year-end were \$1.235 billion, an increase of \$24 million. Ms. Chan stated that NYCEDC had an increase of \$86 million in capital assets, which includes \$80 million in vessels and \$12 million in leasehold improvements for the One Liberty Plaza offices. NYCEDC also added \$10 million of assets for other equipment and software purchases. These additions were offset by approximately \$15 million of depreciation expense. Total assets include receivables from the City which increased by \$65 million due to pending reimbursements for vessels and COVID-19 response efforts. These increases were offset by a \$130 million decrease in cash and investments used to pay for these assets and to fund NYCEDC operations. Total liabilities were \$675 million, an increase of \$27 million due to additional expense accruals. Net position increased by \$2.5 million to \$564 million, and comprised of \$16.5 million restricted, \$227 million unrestricted, and \$321 million invested in capital assets.

Ms. Chan described the Statement of Cash Flows and stated that \$122 million cash was used for operations, \$12 million was used for capital improvements, net of capital contributions

received from the City, and \$110 million was cash provided from investments leaving a net change of a \$24 million decrease to cash.

Ms. Chan presented the Annual Investments Report, which is a PAAA requirement. NYCEDC's cash is conservatively invested in compliance with the investment policies that were adopted by the Board. Ms. Chan presented the investments in three categories: money market funds, Government backed securities, and commercial paper. Money market funds made up 75% of the investment portfolio while the Government backed securities accounted for 21% of the investments. Commercial paper comprised the remaining 4%. The amounts invested in each category are well within the Board adopted investment guidelines.

Ms. Chan also highlighted that there were no significant changes to the contents of this year's financial statements as compared to the prior year, other than a mention of the COVID-19 impact in the MD&A, which was described throughout the presentation.

Mr. Candelaria thanked the Finance team for their diligence in preparing the financial statements and completing the audit in an efficient, thorough and timely manner during this extremely challenging time of the COVID-19 pandemic.

Ernst & Young LLP Update

Ms. Hancy stated that EY will be issuing an unmodified opinion after completing its required subsequent event review procedures that will be presented to the NYCEDC Board on Wednesday, September 30, 2020.

Ms. Hancy stated that EY's scope is consistent with what was communicated at the June 11, 2020 Committee meeting, where an overview of the audit plan was given. Ms. Hancy stated that EY did not identify any material misstatements or weaknesses, instances of fraud, or non-compliance with laws and regulations. This is a required communication under Government Auditing Standards.

At the conclusion of her presentation, Ms. Hancy highlighted EY's commitment to anti-racism, discrimination, and the fight against social injustices. EY has expanded various initiatives to drive policy change as well as led actions for change in its communities. Ms. Hancy shared specific information of EY's anti-racism and equity initiatives and programs.

Mr. Candelaria asked if there were any questions or comments relating to the approval of the financial statements and investment report as submitted for presentation and approval by the full Board. There being no questions or comments, Mr. McSpiritt motioned to approve the financial statements and investment report. Mr. Schlein seconded the motion and the statements were approved.

3. Internal Audit Activity Update

Ms. Wallace presented the agenda for the Internal Audit update and then provided an update on the FY2020 Audit Plan, highlighting the audits that were deferred due to the pandemic, as well as the two audits for which reports were being finalized.

Ms. Wallace then spoke about the change in methodology in how the Internal Audit team is planning to perform the FY2021 audits, working towards adopting a more dynamic audit process. Ms. Wallace then discussed the FY2021 Audit Plan Status to date.

Ms. Wallace then spoke about the open issues to date, highlighting that four issues were closed since the last meeting.

Mr. Khoury then gave an update on the activities performed by the Engineering Audit Unit ("EAU"), including the number of change orders reviewed and other metrics. He updated the Committee on the status of FY2021 construction audits, and on some potential future updates to the change order review process.

Lastly, Ms. Wallace highlighted some general department updates and discussed how relationships across the organization have continued to strengthen.

Mr. Candelaria thanked Ms. Wallace for her tremendous leadership and expressed appreciation to Mr. Khoury for his diligence and the value he provides to the organization.

4. Session with External Auditors

A private session with EY was held by the Committee.

5. Session with Internal Audit

A private session with Internal Audit was held by the Committee.

6. Session with Management

A private session with Management was held by the Committee.

7. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 1:05 p.m.